

R 181657Z NOV 08
FM AMEMBASSY NASSAU
TO SECSTATE WASHDC 5888

UNCLAS NASSAU 000803

STATE FOR WHA/CAR

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [BF](#)

SUBJECT: Bahamas Avoids Increased Florida Sales Tax

¶1. Bahamian businesspersons were relieved after the proposal to repeal Florida's exemption to the six percent export sales tax failed to make it on the November 20 election ballot. The Bahamas imports 84% of its goods and products from the U.S., the majority of which come from Florida. Florida's Tax and Budget Reform Commission had proposed repealing the sales tax exemption to offset revenues lost from property taxes. An export tax would have created further economic hardship in a nation already dealing with the negative ripple effect the downturn in the U.S. economy has had on the Bahamian tourism sector.

¶2. On January 23 the Embassy invited Adam Hasner, Deputy Majority Leader in the Florida House of Representatives, to address a Chamber luncheon meeting to discuss the proposed Florida sales tax exemption proposal and its effect on The Bahamas. Chamber of Commerce President Dionisio D'Aguilar said such an increase would be unfortunate for Bahamian businesses and consumers, especially during this economically challenging time. It would have resulted in rising costs for consumer goods imported from Florida in addition to local Bahamian customs duties. Many Bahamian businesses had already started seeking alternative suppliers in other states in preparation for the proposed tax increase. A major Bahamian food retail chain said that its inventory cost would have increased by \$3 million per year. As a result, it would have been forced to relocate \$25 million worth of purchases to another state.

SIEGEL